

Message Text

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ACTION EB-08

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TO SECSTATE WASH DC 5312

C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 04421

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E.O. 11652: GDS
TAGS: ENRG, OECD
SUBJECT: IEA: SECRETARIAT THINKING ON IEA MINISTERIAL
COMMUNIQUE

EB FOR BOSWORTH ONLY; EUR/RPE FOR ALBRECHT ONLY

REF: HUBBARD/RAICHT TELCON, FEB 11

1. IEA SECRETARIAT (HOPKINS) HAS PASSED US FOLLOWING
TEXT REPRESENTING SECRETARIAT THINKING ON POSSIBLE
LINES OF COMMUNIQUE TO EMERGE FROM IEA MINISTERIAL
MEETING ON REDUCED DEPENDENCY. AT THIS STAGE, THIS
LANGUAGE HAS BEEN PASSED ONLY TO U.S., ALTHOUGH
LANTZKE HAS DISCUSSED OUTLINES WITH ROHWEDDER AND
CANADIANS.

2. BEGIN TEXT

1. THE IEA HAS COMPARED ITS ASSESSMENT FOR 1985
OF THE PROBABLE ENERGY CONSUMPTION PATTERN INCLUDING
DEMAND FOR IMPORTED OIL WITH PROBABLE ENERGY SUPPLY
INCLUDING AN ASSESSMENT OF THE QUANTITIES OF OIL
EXPORTING COUNTRIES ARE LIKELY TO MAKE AVAILABLE.
ALTHOUGH THE IEA HAS ALREADY TAKEN A NUMBER OF STEPS
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TO IMPROVE THE FUTURE ENERGY SUPPLY/DEMAND SITUATION
AND ITS MEMBER COUNTRIES HAVE MADE AMBITIOUS FORECASTS
OF ENERGY CONSERVATION AND SUPPLY EXPANSION, THE FULL
RESULTS ANTICIPATED MAY NOT BE ACHIEVED. EVEN IF THEY
ARE THEY WILL NOT BE ADEQUATE FOR THE PERIOD AFTER
1985. LARGE UNCERTAINTY REMAINS AS TO THE RESULTS OF
CONSERVATION, OF NUCLEAR PROGRAMS, AND OF INDIGENOUS

OIL, GAS AND COAL PRODUCTION, AND AS TO THE AMOUNT OF OIL WHICH OPEC COUNTRIES WILL BE WILLING TO SUPPLY. IF THESE AND OTHER IMPORTANT UNCERTAINTIES ARE RESOLVED IN THE WRONG DIRECTION, THE IEA COUNTRIES AS A GROUP WILL NOT HAVE ADEQUATE ENERGY SUPPLIES AS EARLY AS 1985, AND IN ANY CASE THE SITUATION WILL WORSEN THEREAFTER.

2. MINISTERS CONCLUDED THAT

- THIS SITUATION PRESENTS UNACCEPTABLE RISKS TO CONTINUED ECONOMIC GROWTH WITH SOCIAL AND POLITICAL CONSEQUENCES

- MEMBER COUNTRIES MUST NOW TAKE ADDITIONAL ACTION TO REACH A BETTER BALANCE OF ENERGY SUPPLY AND DEMAND OVER THE LONGER TERM IN FULFILMENT OF THEIR COMMITMENTS IN THE AGREEMENT ON AN INTERNATIONAL ENERGY PROGRAM AS FURTHER ELABORATED IN THE IEA'S LONG-TERM COOPERATION PROGRAM.

- THIS ACTION SHOULD TAKE THE FORM OF COOPERATIVE MEASURES TO ACHIEVE BROAD CHANGES IN REGIONAL STRUCTURES OF ENERGY SUPPLY AND DEMAND

- THE DIFFERENT IEA COUNTRIES AND REGIONS HAVE SPECIFIC OPPORTUNITIES FOR CONTRIBUTING TO THIS RESULT IN THEIR OWN WAYS

- THIS ACTION MUST BE ORIENTED TOWARD THE LONG TERM AND WILL PRODUCE TANGIBLE RESULTS ONLY IN DUE COURSE; HOWEVER, MEANINGFUL SHORT TERM RESULTS CAN BE ACHIEVED BY RIGOROUS ENERGY CONSERVATION EFFORTS.

3. MINISTERS THEREFORE, HAVING IDENTIFIED THE
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MAJOR PRACTICAL POSSIBILITIES OF EACH REGION, AGREED THAT IT WOULD HENCEFORTH BE THE POLICY OF THEIR GOVERNMENTS:

(A) SUBSTITUTION OF COAL AND NUCLEAR FOR OIL, HEAVY FUEL OIL IN PARTICULAR

(I) TO REDUCE PERMANENTLY AND ULTIMATELY ELIMINATE (HOLD TO THE LOWEST POSSIBLE LEVEL?) THE USE OF OIL, AND ESPECIALLY HEAVY FUEL OIL, IN ELECTRICITY GENERATION, SPACE HEATING, INDUSTRY AND OTHER SECTORS, PARTICULARLY IN EUROPE AND JAPAN (PACIFIC) WHERE SUCH USES ARE PROPORTIONATELY GREATER THAN IN NORTH AMERICA, BUT ALSO IN NORTH AMERICA, BY RESTRICTING THE CONSTRUCTION OF NEW OIL AND GAS FIRED GENERATING CAPACITY, RESTRICTING THE USE OF HEAVY FUEL OIL AND PROMPTLY RESOLVING THE ENVIRONMENTAL AND OTHER IMPLICATIONS OF COAL BURNING AND NUCLEAR POWER.

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(II) TO ENCOURAGE THE OIL REFINING AND ELECTRICITY
GENERATING INDUSTRIES TO MAKE THE STRUCTURAL ADJUSTMENTS
REQUIRED BY THE CONSEQUENT REDUCTION IN THE USE OF
HEAVY FUEL OIL.

(III) TO REPLACE HEAVY FUEL OIL IN THESE USES BY
COAL OR NUCLEAR. THIS WILL REQUIRE:

COAL

- ACTIVE ENCOURAGEMENT OF THE PRODUCTION
OF COAL, PARTICULARLY IN NORTH AMERICA, AND PROMOTION
OF AN EXPANDED AND RELIABLE INTERNATIONAL TRADE OF
(STEAM) COAL BY:

- PROMPT RESOLUTION OF ENVIRONMENTAL
AND OTHER IMPLICATIONS OF COAL MINING AND TRANSPORTA-
TION

- FURTHER DEVELOPMENT OF COAL POLICIES
IN EUROPE AND JAPAN SO AS TO EXPAND (STEAM) COAL
IMPORT MARKETS BEYOND THE CAPACITIES OF THEIR
INDIGENOUS COAL PRODUCTION

- FURTHER DEVELOPMENT OF COAL POLICIES
IN NORTH AMERICA SO AS TO PROVIDE GREATER SECURITY OF
COAL EXPORTS

NUCLEAR

- STABILIZATION OF THE LONG-TERM SUPPLY,
PRINCIPALLY FROM NORTH AMERICA AND IN ACCORDANCE WITH
INTERNATIONAL SAFEGUARDS, OF KEY NUCLEAR POWER

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CAPACITIES NOT READILY AVAILABLE IN OTHER REGIONS, BY ENSURING THAT CONTROLS ON EXPORTS OR IMPORTS OF URANIUM, ENRICHED URANIUM OR FACILITIES (OR TECHNOLOGIES) FOR URANIUM ENRICHMENT OR NUCLEAR FUEL RE-PROCESSING DO NOT RESTRICT THE SUPPLY OF SUCH RESOURCES TO, OR THE USE OF SUCH FACILITIES (OR TECHNOLOGIES) BY OR FOR, OTHER IEA COUNTRIES.

(B) CONSERVATION

TO REINFORCE STRONGLY, PARTICULARLY IN NORTH AMERICA, ENERGY CONSERVATION MEASURES AIMING AT THE ELIMINATION OF THE WASTEFUL USE OF ENERGY BY MEANS OF:

- APPROPRIATE ENERGY PRICING (AND TAXATION) POLICIES
- ENFORCEMENT OF MINIMUM ENERGY EFFICIENCY STANDARDS IN ALL SECTORS (E.G. AUTOMOBILE, INSULATION AND APPLIANCES)
- INCREASED INVESTMENT IN ENERGY SAVING EQUIPMENT AND TECHNIQUES.

(C) INVESTMENT

TO ESTABLISH AN INVESTMENT CLIMATE, PARTICULARLY IN THE UNITED STATES, WHICH ENCOURAGES THE INVESTMENT OF PRIVATE CAPITAL TO DEVELOP ENERGY RESOURCES BY REMOVING UNCERTAINTIES ABOUT THE GENERAL DIRECTIONS OF ENERGY AND OTHER POLICIES, IMPROVING THE SPEED AND EFFICIENCY OF ADMINISTRATIVE PROCESSES FOR RECONCILING COMPETING INTERESTS AND PROVIDING GOVERNMENT INCENTIVES WHERE NECESSARY, IN ORDER TO:

- ENCOURAGE OPTIMUM EXPLOITATION OF AVAILABLE CAPACITIES
- STEP UP EXPLORATION ACTIVITY IN GEOLOGICALLY PROMISING REGIONS
- IMPROVE TECHNOLOGICAL PRODUCTION PROCESS IN ORDER TO MAXIMIZE RECOVERABILITY
- DEVELOP NEW PRODUCTION CAPACITY IN INDIGENOUS COAL, NUCLEAR, OIL AND GAS
- ACCELERATE INVESTMENT FOR CONSERVATION EQUIPMENT

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AND TECHNIQUES.

(D) (FOLLOW-UP TO ITEMS (A) THROUGH (C))

4. MINISTERS AGREED THAT THE RECOMMENDED MEASURES FOR EACH COUNTRY AS SET FORTH IN ANNEX I HERETO (AS DEVELOPED IN THE STANDING GROUP ON LONG-TERM COOPERATION PURSUANT TO THE DECISION TAKEN AT THE GOVERNING BOARD MEETING OF 8TH-9TH NOVEMBER, 1976) WOULD CONTRIBUTE SUBSTANTIALLY TO IMPROVING THE ENERGY SUPPLY AND DEMAND BALANCE BY HELPING TO ENSURE THAT THE FORECASTS MADE BY EACH COUNTRY ARE ACHIEVED (AND SHOULD THEREFORE BE ADOPTED). MINISTERS WILL

PRESENT THESE RECOMMENDATIONS TO THEIR GOVERNMENTS FOR APPROPRIATE NATIONAL ACTION AND REPORT BACK TO THE GOVERNING BOARD BY (DECEMBER 31, 1977) AS TO THE RESULTS.

5. MINISTERS AGREED THAT ENERGY POLICY PLANNING MUST PROVIDE ALTERNATIVE MEANS OTHER THAN INCREASED OIL CONSUMPTION FOR MEETING NUCLEAR SHORTFALLS AND OTHER SITUATIONS WHICH MAY DEVELOP, IN ORDER TO PROTECT AGAINST THE MAJOR UNCERTAINTIES INHERENT IN FUTURE ENERGY DEVELOPMENTS, BOTH AS TO DEMAND AND AS TO SUPPLY AND THAT CONSEQUENTLY ENERGY POLICY PLANNING IN MEMBER

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COUNTRIES SHALL INCLUDE PROVISION FOR SUCH SITUATIONS TO PREVENT SHORTCOMINGS FROM RESULTING IN INCREASED OIL IMPORTS.

6. MINISTERS AGREED THAT IT WILL BE THE OBJECTIVE OF IEA COUNTRIES AS A GROUP, BY MEANS OF THESE POLICIES, TO HOLD THE TOTAL OIL IMPORT DEMAND (CONSUMPTION?) OF THE IEA GROUP TO NOT MORE THAN ... MILLION BARRELS PER DAY IN 1985, ASSUMING MODERATE ECONOMIC GROWTH (4 PERCENT 1974-1985?).

7. MINISTERS AGREED THAT THE REVIEW PROCEDURES OF THE IEA ALREADY APPROVED WILL BE RIGOROUSLY APPLIED, THAT THE POLICIES AND OBJECTIVES DESCRIBED ABOVE WILL BE USED AS STANDARDS FOR ASSESSING THE PERFORMANCE OF MEMBER COUNTRIES, AND THAT THE REVIEW PROCEDURES WILL BE UTILIZED FOR CONTINUOUS MONITORING OF COUNTRY

POLICIES AND ACHIEVEMENT.

8. MINISTERS AGREED THAT MUCH STRONGER EFFORTS
WILL BE REQUIRED IN ENERGY RESEARCH AND DEVELOPMENT IN
ORDER TO MEET ENERGY REQUIREMENTS AFTER 1985, AND THAT
SUCH EFFORTS WILL BE DEVELOPED AND CONDUCTED IN A
CO-ORDINATED MANNER, WITH EMPHASIS ON AND .

(TO BE EXPANDED)

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9. MINISTERS AGREED THAT IT WILL BE THE POLICY OF
THEIR GOVERNMENTS TO DEVELOP PRACTICAL POSSIBILITIES FOR
DISCUSSION WITH OIL PRODUCING COUNTRIES AS TO ALL
ASPECTS OF THE LONG-TERM SUPPLIES OF OIL AND WITH ALL
DEVELOPING COUNTRIES AS TO ALL ASPECTS OF WORLD ENERGY
SUPPLY AND DEMAND.

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